

Size of Firms

in Utah

**by Gilda Robertson
and Mark Knold**

Every year the Utah Department of Workforce Services publishes a report profiling the size of the firms that operate within the state. This isn't the size of their buildings or even the amount of sales receipts. Instead, it is the size of employment within those companies. After all, it's the availability of employment that keeps most of us fed.

Both firm size and establishment size are recorded, and establishment size is also reported within each county. What's the difference between a firm and an establishment? An example helps in clarification. There are many 7-Eleven convenience stores in Utah. Each store is classified as an establishment, whereas all the stores together as part of the 7-Eleven corporation are one firm.

You may have heard through the media or other source the comment that "small businesses provide most of the jobs in America." That's not an incorrect statement, but it can be misleading, because its validity boils

down to the definition of a small business. The Small Business Administration generally classifies a small business as one that employs fewer than 500 workers. That definition might work well for the nation as a whole, with large automobile, airline, and oil companies as some examples of American behemoths. But it doesn't seem to carry a practical value in Utah (or Wyoming, South Dakota, or Arkansas for that matter). Is less than 500 employees what you had in mind as a definition of a small business?

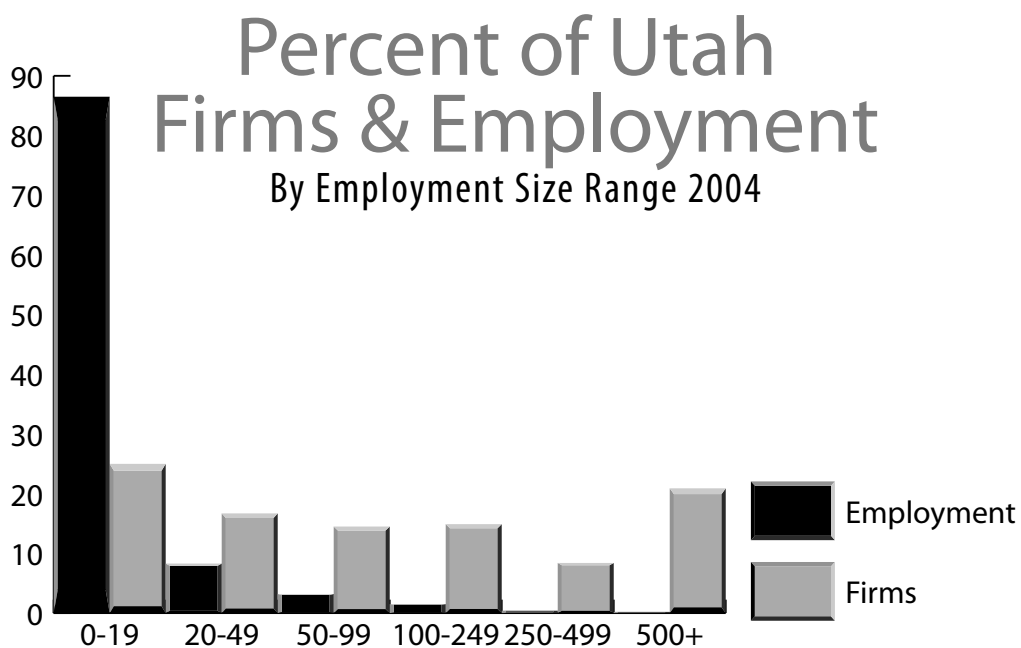
If you're comfortable with that definition, then the quoted statement is correct. But if you were thinking of something smaller, that changes the perspective—especially here in Utah.

For example, if we use the less-than-500 threshold, then here in Utah 99.6 percent of all firms qualify, and they employ 59.4 percent of Utah's roughly 1.086 million workers. Did you catch the significance of that? How about if we state it from the opposite perspective? Less than 1 percent of all Utah firms employ 40 percent of the entire workforce. That says a lot for the influence, and importance, of the large firm.

What if we changed the threshold of a small business from less-than-500 to say, less-than-100? How does Utah look then? With that criterion, 97.6 percent of Utah's firms qualify. Not much of a difference from the less-than-500 definition. But look at the employment. Under this new criterion, those 97.6 percent employ only 41.9 percent of all workers. The over-100 crowd (2.4 percent) employs the remaining 58.1 percent. If we use that criterion, then the above quotation loses its value.

One can keep playing with the numbers and change the definition of a small business. I'm not advocating making it four employees or less, but if I did, that would encompass nearly 62 percent of all Utah firms. They would employ only 5 percent of the workforce. The point is that most of the firms in Utah are very small. Utah is not unique in this situation—you will find this same characteristic across the entire United States.

<http://jobs.utah.gov/wi/pubs/EM/UEEWS/firmsize.asp?URL=pubs%2FEM%2FUEEWS%2Ffirmsize.asp>



Source: Department of Workforce Services, Workforce Information